

**MINUTES OF THE
JOINT RETIREMENT AND INDEPENDENT ENTITIES
STANDING COMMITTEE
FRIDAY, JANUARY 27, 2006, 12:45 P.M.
ROOM W025, WEST OFFICE BUILDING, CAPITOL BUILDING**

Members Present: Sen. Beverly Evans, Co-Chair
 Rep. Michael T. Morley, Co-Chair
 Sen. Karen Hale
 Sen. Carlene Walker
 Rep. Ron Bigelow
 Rep. Neil A. Hansen
 Rep. Ann W. Hardy
 Rep. Rebecca Lockhart
 Rep. Karen W. Morgan
 Rep. Merlynn T. Newbold
 Rep. LaWanna Shurtliff
 Rep. David Clark

Members Excused: Sen. D. Chris Buttars
 Sen. Gene Davis

Staff Present: Benjamin N. Christensen, Policy Analyst
 Dee S. Larsen, Associate General Counsel
 Nedra Duzett, Senate Committee Secretary

Juliette Tennert, Fiscal Analyst, Legislative Fiscal Analyst Office
Janice Coleman, Office of the Legislative Auditor General

Public Speakers Present: Robert Newman, Executive Director, Utah State Retirement Office
 Richard Kendall, Commissioner for Higher Education
 Patrick Ogden, Associate Supt., Utah State Office of Education
 Tom Upton, Finance Director, Utah State Office of Education
 Burke Jolley, Jordan School District

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Committee Co-Chair Morley called the meeting to order at 12:55 p.m.
2. Budget Review of the Retirement Office and the Public Employees Health Program
Fiscal Year 2006-2007 Budgets

Juliette Tennert, Fiscal Analyst, presented a budget brief and gave a historical overview of the Utah Retirement Systems. The Analyst recommended that the Committee continue to review the budget of the Utah Retirement Systems on at least an annual basis.

Robert Newman, Executive Director, Utah Retirement Systems, answered questions posed by the committee.

3. Audit Presentations by the Office of Legislative Auditor General

- A Review of the Public Education Retirement Benefits - July 2005

Janice Coleman, Auditor Supervisor, said the audit addressed both accrued and future liabilities for public education. Public Education post-retirement benefit programs have a potential liability of \$1.4 billion. Public Education must modify or eliminate offered benefits and develop a plan to fund the remaining liability without compromising educational services or requiring additional taxpayer assistance.

The auditors recommend the Legislature require districts and the Utah State Board of Education to assess their full liability by having actuarial studies completed by June 2006 on all post-retirement benefits.

- A Review of Higher Education's Post-Retirement Benefits - December 2005

Ms. Coleman reported that Higher Education post-retirement benefit programs have a potential liability of \$979 million. Although large potential liabilities exist, these costs can be reduced and better managed.

The auditors recommend the Legislature require colleges, universities, and applied technology centers to assess their full liability with actuarial studies completed by the 2007 General Session on all post-retirement benefits.

The auditors recommend the Legislature require colleges, universities, and applied technology centers to standardize key actuarial assumptions, including the medical inflation rate and the discount rate, and report these assumptions during the 2006 interim.

Other actuarial studies were recommended to be reported to the Legislature during the 2007 General Session.

Richard Kendall, Commissioner for Higher Education, responded to the audit report. An actuarial study will be completed and reported to the Interim Committee this summer.

Patrick Ogden, Associate Superintendent, Utah State Office of Education, responded to the audit on Public Education retirement benefits. USOE is currently in the process of evaluating bids for an actuarial study.

Tom Upton, Director of Finance, Utah State Office of Education, also made comments regarding the actuarial study.

Burke Jolley reported on the Jordan School District actuarial study.

Co-Chair Evans stated that post-retirement benefits is a huge issue and the committee needs answers from both Public and Higher Education.

Co-Chair Morley asked Higher Education and Public Education officials to follow the recommendations of the auditors and come back to the committee this summer with a report on how they are progressing.

4. Other Business/Adjourn -

No other business was conducted.

MOTION: Rep. Newbold moved to adjourn.

Co- Chair Morely adjourned the meeting at 1:50 p.m.

Minutes reported by Nedra Duzett, Senate Secretary

Sen. Beverly Ann Evans, Co-Chair

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Rep. Michael T. Morley, Co-Chair